

Provisions of Corporate Income Tax Plan
March 2, 2011

Corporate Income Tax

Tax Rate

- 6% (Rate is equivalent to the MBT Business Income Tax Rate of 4.95% plus the 21.99% Surcharge applied to income = 6.0385%)

Tax Base

- Federal taxable income (decoupled from Federal accelerated depreciation and domestic production activities deduction)

Taxpayers Subject to Tax:

- Corporations Only
- Partnerships, S Corporations, Individuals not subject to tax
- LLCs subject to tax only if they elect to be taxed as a corporation
- Unitary Business Groups (UBGs) required to file a combined return

Exemptions:

- Taxpayers with liability under \$100 do not have to file or pay

Adjustments:

- Additions—Interest and dividends from other-state obligations, net-income taxes, NOLs, royalties and interest paid to related entities not part of unitary group
- Subtractions—Dividends and royalties received from non-US persons, interest income from US obligations, business losses incurred after effective date

MBT Credits Retained:

- Small Business Alternative Tax Credit

MBT Credits Repealed

- Arts and Culture Credit
- Biofuel Infrastructure Credit
- Bottle Deposit Administration Credit
- Community or Education Foundation Credit
- Entrepreneurial Credit
- Gross Receipts Filing Threshold Credit
- Homeless Shelter/Food Bank Credit
- Individual or Family Development Account Credit
- Investment Tax Credit
- International Auto Show Credit
- Large Food Retailer Credit
- Low-Grade Hematite Credit
- Mid-Size Food Retailer Credit
- NASCAR Safety Credit
- NASCAR Speedway Credit
- New Motor Vehicle Dealer Inventory Credit
- Next Energy Business Activity Credit

- Next Energy Payroll Credit
- Personal Property Tax Credit
- Private Equity Fund Credit
- Research and Development Credit
- Stadium Credit
- Start-up Business Credit

MBT Credits Retained Only for Those Awarded (or for Agreements Entered into) Before 2012:

- Anchor Company Payroll Credit
- Anchor Company Taxable Value Credit
- Brownfield credits
- Corporate Farmland Preservation Credit
- Film Credits
- Historic Preservation Credits
- MEGA Credits, including battery, photovoltaic, polycrystalline, and hybrid technology research and development credits
- Renaissance Zone Credit
- Tax Voucher Certificates (Michigan Early Stage Venture Investment Act)

Financial Institutions Tax

Tax Rate and Base

- Financial Institutions Tax: 0.29% (equals current tax rate of 0.235% plus current surcharge of 23.4%)
- Tax base continues to be net capital stock

Deductions and Credits

- Deduction for Goodwill is eliminated
- MBT credits repealed for CIT are also repealed for Financial Institutions
- Certified credits already awarded could still be claimed

Insurance Tax

Rate and Base

- Tax continues to be 1.25% of gross direct premiums written on property or risk located in Michigan. Insurance companies based in other states that sell insurance in Michigan pay the greater of this tax or the retaliatory tax

Credits

- MBT credits repealed for CIT are also repealed for insurance companies
- Certified credits already awarded could still be claimed

Miscellaneous

- Effective date 1/1/12
- Apportionment—100% sales for everyone (MTC apportionment does not apply)
- Sourcing provisions—Same as MBT
- Nexus standard—Same as MBT